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8 SUPERIOR COURT OF THE STATE OF CALIFORNIA
9 COUNTY OF SAN FRANCISCO

10
11 RAYTHEON COMPANY,

12 Plaintiff,

13 v.

14 CERTAIN UNDERWRITERS AT
15 LLOYD'S LONDON, et al.,

16 Defendant.

No. 950755

Judge John E. Munter

PLAINTIFF RAYTHEON COMPANY'S OFFER OF
PROOF WITH RESPECT TO SUDDEN,
UNEXPECTED AND UNINTENDED HAPPENINGS

Dept: 505

Date Action Filed: April 2, 1993

Trial Date: 10/23/00

17 AND RELATED CROSS-ACTIONS.
18

19 Plaintiff Raytheon Company makes the following offer of proof with respect to happenings
20 it believes to be "sudden, expected and unintended" as that term is used in insurance policies
21 issued to Raytheon by certain London Market Insurers and by AIU Insurance Company and
22 National Union for the April 1, 1984 to April 1, 1985 policy period (the "1984-85 Policies"):

23 1) Raytheon conducted semiconductor-manufacturing operations in an industrial park in
24 Mountain View, California (the "Mountain View Site") at various times from 1961 through
25 1997. These operations were conducted in facilities located at 350 Ellis Street, 415
26 Middlefield Road and 490 Middlefield Road. During the course of these operations, Raytheon
27 used a variety of chemicals, including various chlorinated solvents (such as trichlorethylene, or
28

EXHIBIT A

1 TCE, and trichloroethane). Raytheon had a number of releases of these chemicals during the
2 period of its operations up until the expiration of the 1984-85 Policies. These releases occurred
3 primarily at the 350 Ellis Street facility, although there were also releases at the 415
4 Middlefield Road facility.

5 2) Raytheon has incurred significant costs, in excess of \$40 million, associated with the chemicals
6 released at its facilities, including costs of both (i) investigating and cleaning up pollution at
7 and near its former properties in Mountain View under various governmental agency orders
8 and decrees, and (ii) defending and settling actions brought by private parties against Raytheon
9 associated with such pollution.

10 3) At Raytheon's 350 Ellis Street facility, prior to the installation of its Northwest Acid
11 Neutralization System in approximately 1968 or 1969, Raytheon utilized the West Holding
12 Tank (and what was later used as the Plating Shop Holding tank) as the acid neutralization
13 system for Module 3 of Building 3 and the Plating Shop. When the Northwest Neutralization
14 System was installed in approximately 1968 or 1969, both the West Holding Tank and Plating
15 Shop Holding Tank were drained and taken out of service. In the course of this process, a leak
16 was discovered in the West Holding Tank and a hole approximately 2 inches in diameter was
17 found in the concrete vault in which the tank sat. This leak resulted in the release of chemicals,
18 including waste chlorinated solvents, to the ground. This release resulted in chlorinated
19 solvents contaminating the soil and groundwater at the Mountain View Site.

20 4) In approximately 1971, the West Holding Tank was converted to use as a solvent holding tank.
21 Sometime later (approximately 1975), a seam in the liner of the West Holding Tank broke.
22 Approximately four to five gallons of waste solvent (including TCE) were found in the vault.
23 Some waste solvent was released through the vault to ground, as a result of this incident. This
24 release resulted in chlorinated solvents contaminating the soil and groundwater at the Mountain
25 View Site.

26 5) A leak in the pipeline connecting the West Holding Tank and the aboveground solvent
27 containment vessel occurred in approximately 1980. The leak resulted in a release of
28 approximately 1 to 2 gallons or more of solvent waste to the ground. It is not known the

1 precise mixture of waste solvents that were spilled, but the pipeline is believed to have
2 transported trichloroethane, isopropyl alcohol, methyl alcohol, methyl ethyl ketone, J-100
3 stripper, and A-30 stripper. This release resulted in chlorinated solvents contaminating the soil
4 and groundwater at the Mountain View Site.

5 6) The pipelines running into and through the facilities tunnel underneath the 350 Ellis Street
6 facility have leaked at various times. These pipes carried various chemical wastes. In
7 approximately 1967 or 1968, Raytheon installed two two-inch iron or steel pipelines in the
8 facilities tunnel to drain and collect waste TCE, photo-resist and other solvent waste. Solvent
9 wastes drained through these pipes to the South Solvent Holding Tank. Leaks of solvent
10 piping connections within the tunnel occurred on more than one occasion prior to 1970. In
11 approximately 1970, the pipes were replaced. Additional leaks in the solvent piping occurred
12 after 1970. Depending on the severity of the leaks in question, leaks from these pipelines have
13 either spilled directly to the tunnel floor, or dripped along the tunnel wall to the floor. The
14 leaks resulted in releases of chlorinated solvents to ground by passing through the floor of the
15 utility tunnel and through the sump leading to the sanitary sewer. These releases resulted in
16 chlorinated solvents contaminating the soil and groundwater at the Mountain View Site.

17 7) For some period of time, the solvents collected in the South Solvent Holding Tank were
18 pumped to one of two 1,000 gallon above-ground waste solvent storage tanks located next to
19 the South Neutralization Sump. Leaks of solvents occurred on more than one occasion in these
20 two 1,000 gallon tanks, resulting in the release of solvents to ground. Once these leaks were
21 detected, the tanks were either repaired or replaced. From 1967 to 1983, such tanks were
22 replaced approximately three times. These releases resulted in chlorinated solvents
23 contaminating the soil and groundwater at the Mountain View Site.

24 8) In approximately 1971 or 1972, a separate dedicated solvent waste piping system was installed
25 to service Module 3 at the 350 Ellis Street facility. The pipelines ran from Module 3 through a
26 concrete trough along the western edge of Building 3, to the West Holding Sump on the
27 concrete pad behind Building 3. From approximately 1971 to 1980, waste solvents were piped
28 from Module 3 to a 55-gallon drum set in the West Holding Sump. A fluid level sensor

1 activated a pump that in turn pumped excess solvents from the drum through a dedicated
2 pipeline to one of the two 1,000 gallon waste solvent storage tanks located at the south side of
3 Building 3. On multiple occasions, the 55-gallon drum or tank overflowed into the sump
4 during pump or sensor failures. In approximately 1980, the 55-gallon drum was replaced with
5 a stainless steel tank set between two polypropylene liners placed in the sump. In early 1985,
6 upon closure of the sump, the polypropylene liner was found to be weakened and the sump
7 bottom showed extensive solvent staining. In addition, a small crack at the base of the sump
8 was found. Various solvents were released to ground as a result of the overflows and through
9 the liner and sump bottom. These releases resulted in chlorinated solvents contaminating the
10 soil and groundwater at the Mountain View Site.

11 9) Prior to the installation of a dedicated solvent waste containment system, Raytheon disposed of
12 some waste chemicals and solvents by pouring such wastes into spent 55 gallon drums that
13 were located outside the former Plating Shop, the Chemical Storage Shed and/or the Records
14 Storage Building. On more than one occasion employees accidentally failed to put the lid on
15 some of these 55-gallon drums. During these instances, on more than one occasion, rainwater
16 went into these drums and mixed with the drums' contents. The rainwater and chemical waste
17 then reacted and are believed to have caused small, pinhole leaks to form in the drums. These
18 leaks could not be detected until the drums were subsequently moved. Chemicals, including
19 solvents, were released to the ground due to these leaks. These releases resulted in chlorinated
20 solvents contaminating the soil and groundwater at the Mountain View Site.

21 10) In late 1981, a break in the acid waste pipeline running from the 350 Ellis Street facility's LSI
22 fabrication area to the Northwest Neutralization System was discovered when the pad was
23 being replaced. Apparently earth movement had caused the 4-inch polyethylene wastewater
24 drainpipe to break. Continuous flow of wastewater from the pipe had eroded a space
25 approximately 10 ft. by 10 ft. by 6 ft. deep. Suspended in the hole was the broken pipe that
26 spilled liquids at a rate of approximately 10 gallons per minute before it was corrected. The
27 pipe carried acids, and possibly alcohol, and also contained quantities of chlorinated solvents.
28 These releases resulted in chlorinated solvents contaminating the soil and groundwater at the

Mountain View Site.

- 11) The Middlefield Road neutralization pit was located on the vacant lot adjacent to the facility at 415 Middlefield Road. This pit received process wastes from the 415 Middlefield Road facility. These wastes included varying amounts of water, acetic acid, nitric acid, sulfuric acid, hydrochloric acid, hydrofluoric acid, TCE, trichloroethane, caustic soda, photo resist, xylene, alcohol, and ammonia fluoride. The rate of flow from Building 2 into the pipeline to the pit was approximately 75 to 100 gallons per minute. In approximately 1982, a 10-inch diameter hole was discovered in the bottom of the 415 Middlefield Road eastern neutralization tank. The hole was off-center from the mixing blade and penetrated the tank. When the tank was removed from the hole, it was discovered that a portion of the concrete vault directly beneath the tank hole was washed away and only gravel separated the tank from the ground. Various solvents were released to ground from the neutralization tank. These releases resulted in chlorinated solvents contaminating the soil and groundwater at the Mountain View Site.
- 12) Dissolved chemical solvent migrated onto the Raytheon properties in Mountain View from multiple other locations, including without limitation (a) the former Union Carbide and Intel Corporation site at 365 East Middlefield Road and (b) the sites previously owned or occupied on East Middlefield Road by Siemens Components, Inc. (and related companies) and Sobrato Development Company (and related companies or individuals). The migration of these chemicals resulted in soil and groundwater contamination at Raytheon's Mountain View facilities.
- 13) In the late 1960's, the sewer line beneath the plating shop at 350 Ellis Street was dug up and replaced due to deterioration. The sewer line transported solvents and acids as a result of sump overflows and as a result of direct disposal to sinks and/or drains, and these solvents and acids were released from the sewer at the time it became deteriorated. These leaks from the sewer

1 included chlorinated solvents. These releases resulted in chlorinated solvents contaminating the
2 soil and groundwater at the Mountain View Site.

3 Dated: September 22 2000

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